

PLAASLIKE MUNISIPALITEIT
NKETOANA (F.S. 193)
(Reitz, Petrus Steyn, Lindley & Arlington)
LOCAL MUNICIPALITY



P O Box 26 Reitz – Tel: (058) 8632811 – Fax (-58) 8632523

OFFICE OF THE CHIEF FINANCIAL OFFICER

NOTICE

Notice is hereby given that the **SECTION 79 COMMITTEE MEETING of the FINANCE DEPARTMENT** will be held on **Thursday 11 July 2013 at 14h00 at Lindley Caucus Room** to attend to the agenda below.

M D MOLAPISI
CHAIRPERSON

“Renewing our pledge – A national partnership to build a better life for all”

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SECTION 79

COMMITTEE MEETING

FINANCE DEPARTMENT

M I N U T E S

DATE : 11 July 2013

TIME : 14H00

PLACE : Lindley CAUCUS ROOM

A G E N D A

ITEM	ITEM DESCRIPTION	PAGE
	SECTION A	
001/07	Opening and Welcome	1
002/07	Attendance and Apologies	1
003/07	Adoption of the Agenda	1
004/07	Official announcements by the Chairperson	1
005/07	Official announcements by other Councilors	1
006/07	Motions of congratulations and sympathy by Chairperson	2
007/07	Motions of congratulations and sympathy by Councilors	2
008/07	Approval of the minutes	2
009/07	Matters arising from the minutes	2
	SECTION B	
	REPORTS PRESENTATION	
010/07	Fourth Quarter Report	
011/07	Debtors Report	
012/07	MIG Report	
	SECTION C	
013/07	Way forward	
014/07	Closure	

001/07 OPENING AND WELCOME

The chairperson officially opened the meeting and welcomed everybody present.

002/07 ATTENDANCE AND APOLOGIES

The apology was received from Councilor Mosia and the apology was accepted.

003/07 ADOPTION OF THE AGENDA

The agenda was adopted.

004/07 OFFICIAL ANNOUNCEMENTS BY THE CHAIRPERSON

None

005/07 OFFICIAL ANNOUNCEMENTS BY COUNCILORS

None

006/07 MOTIONS OF CONGRATULATIONS AND SYMPATHY BY CHAIR

Motion of sympathy to the family of former President Nelson Mandela who is still at the hospital.

007/07 MOTIONS OF CONGRATULATIONS AND SYMPATHY BY CLLR

None

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008/07 APPROVAL OF THE MINUTES

The minutes were approved.

009/07 MATTERS ARISING FROM THE MINUTES

None

Item Number : **010/07**

Heading : **Financial Report as at 30 June 2013**

Department : **Finance**

Introduction

The purpose of this report is to give committee an analysis on the financial state of the municipality for the quarter ending June 2013 and section 71 reports.

Background

Section 71 of the MFMA prescribes the following:

- That the accounting officer of the municipality no later than 10 working days after the end of each month submit to the mayor of the municipality and relevant provincial treasury statement in the prescribed format of the on the state of the municipality's budget reflecting the following particulars for the month and for the financial year up to the end of that month.
- Actual revenue per resources
- Actual borrowing
- Actual expenditure , actual capital per vote, the amount of any allocations received

Content of the report

3.1 4th quarter Financial Report

This report has been prepared in line with section 71 of the MFMA

Overview and Financial Performance

Description	Original Budget	Adjusted Budget	Actual	%
Revenue				
Property Rates	13 636 000	16 176 000	16 194 066	100%
Electricity	30 548 000	23 858 000	31 561 935	132%
Water	31 099 000	31 099 000	31 590 287	102%
Sewer services	13 149 000	14 455 000	14 729 414	102%
Refuse	15 557 000	15 295 000	15 517 442	101%
Grants	81 223 000	81 233 000	81 157 000	99%
Other	18 411 000	32 641 000	20 622 363	63%
Total	203 633 000	214 757 000	211 372 507	98%

Expenditure				
Employee related cost	52 629 000	52 629 000	57 809 966	110%
Councillors remuneration	5 080 000	5 080 000	2 517 909	50%
Bulk purchases water and electricity	23 037 000	33 047 000	28 834 798	87%
Depreciation	61 168 000	63 168 000	60 599 728	96%
Debt impairment	10 000 000	40 000 000	29 353 715	73%
Finance charge	1 080 000	1 080 000	945 946	88%
Other expenditure	39 637 000	47 363 000	53 844 001	114%
Total	192 628 000	242 365 000	233 906 063	97%

Analysis of revenue and expenditure

In terms of the Revenue, the municipality's performance is at average of 98% this include the operational grants of R81 157M.

We have set off the R14 Million of revenue foregone from assessment rates of R34 Million every utility has met its anticipated amount to be collected.

Expenditure on budget shows an average of 73% written off, Electricity bulk purchases at 87% and water at 1%.

3.2 Cash-flow forecast

Description	Jan '000	Feb '000	Mar '000	Apr '000	May '000	June '000
Opening balance	-4 240	-10 197	-2 716	12 943	5 113	11 275
Grants			24 978			0
Services	5 737	8 385	5 723	6 422	4 388	5 546
Other income	7 044	11 574	1 231	5 130	24 976	2 345
Total Receipts	8 541	9 762	29 216	24 495	29 364	19 166
Salary cost	4 813	4 483	43 65	5 680	5 400	5 428
Capital	7 802	4 122	3 580	7 214	5 187	3 546
Creditors	5 921	3 670	3 125	5 295	6 083	6 876
Other	202	203	5 203	1 193	1 419	1 644
Total payments	18 738	12 478	16 273	19 382	18 089	17 494
Closing balance	-10 197	-2 716	12 943	5 113	11 275	1 672

The municipality cash flow is very low but we managed to pay our obligations especially the MIG projects, bulk purchases and Salaries for the past quarter and the quarter in question. The bank balance show a positive balance even under challenging financial constrains, a further detail on Cash and Bank illustrates the balances. The figures for June are based on the estimates as the year end is not yet closed to get the actual figures but the bank balance is the actual figure.

3.3 Bank and Investment

Bank	Original Capital	Interest	Movement	Balance	Maturity
Standard Bank	3 614 208	39 354		3 653 562	11/03/2015
ABSA	18 825 549	97 561	-16 029 420	2 698 568	Call
FNB	23 000 000	120 622	-20 123 125	2 997 497	Call
VKB	1 028 456	7 486		1 035 942	Call
VKB (shares)	5 000				
Total	46 473 213	26 023	-36 152 545	10 294 645	

3.4 Municipal Bank accounts

Bank	Name of account	Closing Balance
ABSA	Banktel account	1 455 032.10
ABSA	Operating account	217 279.69
Total		1 672 311.79

3.5 Section 71

Statement of Financial Performance

Financial performance per vote

Description	Budget	Actual as 30 June '13	%
Governance and Admin			
Executive and council	19 808 000	19 730 940	99.6%
Budget and Treasury	43 711 000	25 376 578	58.1%
Corporate services	20 197 000	20 185 769	99.9%
Community service and Public safety			
Community service and admin	19 025 000	15 503 938	81.5%
Economic and Environmental services			
Roads and storm	65 938 000	60 924 994	92.4%

water			
Urban and planning and housing, LED	5 430 000	4 745 239	87.4%
Trading services			
Electricity	47 029 000	46 986 430	99.9%
Water	37 865 000	36 297 420	95.9%
Waste water management	26 706 000	26 300 807	98.5%
Waste management	18 337 878	18 271 827	99.6%
	304 046 787		

Analysis of expenditure per vote

All department are at almost 100% expenditure, The true reflection on how much was the Free Basic service for the year can only be reported when the Annual Financial Statement have been completed, but we are confident that we haven't been ay over expenditure that has take place.

The expenditure includes repairs and maintenance and capital for all departments

Creditors Age analysis as at 30 June 2013

Description	0-30 days	30-60 days	60-90days	90 and above	Total
Bulk Electricity					0
Bulk water					0
Auditor General					0
Trade Creditors	1 500 889.96	11 923.35	63 013.02		0
Other					0

Creditors Age Analysis

The municipality owed R 1,5M as at 30 June 2013, due to invoices that the Purchases Orders that have been captured on system but the invoices not yet received, We are at the process of canceling the PO that does not have the invoices after we close off the year, we will capture them as part of accruals

1. Debtors and Billing

The municipality has wrote off R27 Million, the debtors age analysis is at R224Million which includes the government accounts that we are being reconciled, we have committed ourselves to Treasury that we will be finished by end of June 2013, but there's is a bit of a challenge in that regard as we facing the year end close, we are communicating with Treasury about the progress

A full report will be tabled to council after a thorough investigation has been completed to write off the debt prior 2001 as these balances we are struggling to get information on, as the old system Finstel carries information from 2001 that was as far as we could go.

Billing for the month of June 2013 was R 7 708 506, payments for the month is R8 052 255.09, this is inclusive of indigent cross subsidization

2. Municipal Grants

FMG

This grant is spent for capacitating the BTO officials and for the interns and also to capacitate Councilors,

The grant for this year was R1 500 000, plus R341 432 of the previous financial year (2011/12) that was rolled over, so far the municipality has spent 96 % . Our anticipation is to spend all of it so that it helps meet the municipality's objectives when we finalize the FAR 2013.

MSIG

This Grant assist the municipality in improvement of the systems of the municipality, the amount that was received by the municipality is R800 000, there's a 100% expenditure in this regard.

MIG

The amount that was received for this year was R34 018 000, plus R5 300 677 of the previous financial year. Total MIG spent as 30 June 2013 equals to R 28 349 315 which makes 72% of the total amount received. The amount as at 30 June is not the final figure as the PMU unit is still busy finalizing the figure for the month of June 2013.

EPWP

This grant is the initiation by government to assist its communities to create jobs, the amount deposited in was R1 000 000 and amount spent to date is R895 420 which makes 90 % of the total amount received.

3. Financial Implication

- As above
- There was a break in at Petrus Steyn office on the 1/2 June 2013 an amount of R18 549.20 was stolen, the matter was reported to the SAPS this was also reported to our insurance, the matter is still under investigation.

4. General

We have already prepared a schedule for the indigent Campaign that have started on the weekend of the 06th July 2013, and the weekend of the 13th July 2013 as council knows that we review our indigent register annually we are targeting to have registered at least 4000 indigent households at end of the 2014 financial year

The committee must also take note that the Free 50kWh and 6kl of water will ONLY apply to the indigent households, we already instructed Eskom to remove everyone from getting 50kWh of free electricity, this is going to assist the municipality in minimizing the electricity and water losses estimated cost by R3 Million,

The indigents will get a credit of Rand value that equals to the 50Kwh, we therefore urge Councilors to communicate further in their ward meetings with our community as we have engaged with them in the budget meetings. We are implementing this no Free Service to all at the beginning of the financial year 2013/14, and we do not expect any disruptions from their side as we have mentioned and engaged them during budget process

AG has requested the municipality to investigate the irregular expenditure for the 2012 financial year because it is going to affect the 2013 opinion; we are still busy with that exercise the report will be issued to council before the submission of Annual Financial Statements.

We are facing very serious challenges as the CFO's contract have ended on the 18th May 2013. Its therefore crucial that council recruits a CFO as soon as possible, we feel that we do not want to regress and we believe in continuity in Management and want to maintain our positive audit report even in 2012/13, if council will let this post be vacant for a long period there will be serious implications as we are short staffed, This is something that needs attention.

Recommendation:

- That the committee takes note of this report.
- That the report be referred to the Executive Committee
- That the follow up should be made with regard to two outstanding issues which are the ABSA FRAUD case and the money that SARS owes the municipality and the reports be submitted to the next committee meeting.

Item Number: 011/07

Heading: Debt Collection Report (April – June 2013)

Department: Finance

Introduction

The right and responsibility of the municipality to levy rates and services charges is clearly defined in the applicable legislation starting from the Constitution up to the MFMA, Treasury Regulations and the prescribed policies/by- laws. The same legislation also prescribes the responsibility of the Accounting Officer to report on and collect all money owed to the municipality. These matters are further guided by the local legislative documents (Policies / By –Laws) such as the Tariff, Indigent, Property Rates, Credit Control and Debt Collection

Background

The Office of the Auditor General reported on the matter that the credit control and debt collection is not on an acceptable level. The Nketoana Municipality has recently appointed an Assistant Accountant: Debt Collection and other officials to start the debt collection process in an attempt to minimize the growth on outstanding debt. A company has also been appointed to concentrate on the older debt to ensure that collection on old debt is reduced or as a last alternative be written off against the provision for bad debts

Content of the Report

The quarterly report on debt collection is not submitted as the phasing in of the property rates on the applicable farms(as per Council Resolution) and the write off of the indigent balances (R29 353 715.44) gives a distorted picture of the collection %. The annual debt collection is as follows:

Open balance (July '1)	203 376 851.20
Billing & adjustment	74 700 951.55
Payments	-53 902 600.07
Closing balance (June'13)	224 175 202.68

This represent a collection of 72,16%

The debtor's age analysis is:

Current	9 501 829.03
30 Days	4 060 171.50
60 Days	2 473 722.44
90 Days	4 706 171.67
120 Days	4 918 122.24

150+	198 515 185.80
Total at June 2013	224 175 202.68

Financial implications

The lower the collection percentage goes the more pressure is put on the budget and also in relation to the setting of tariffs. The increase in tariffs will most probably result in a lower collection percentage which will increase the pressure on the budget even further. The older the debt becomes the more difficult it will become to collect.

The financial solution is to ensure at first that more residents pay their accounts frequently and by the due date. The second action is to ensure that outstanding debt is collected. Both aspects will ensure a healthy cash flow which in turn will reduce the pressure on the budget and tariff increases.

Recommendations:

- Note be taken of the outstanding debt and the average collection rate of 72.16%
- Note be taken of the age analysis of the debtors as at 30 June 2013
- That the implementation of all related policies (such as Credit Control and Debt Collection, Indigent, etc.) be fully implemented without delays
- That all the municipal parties' work together to ensure the ability and prompt adherence to the legislative requirements.
- That the existing assistance to residents who cannot afford the monthly charges (indigents, repayment agreements, rebates, etc.) be promulgated to ensure that the residents who can afford it do pay (or repay) their debts.

Item Number : **012/07**
Heading: **MIG Reports**
Department : **Finance**

Recommendations;

- That the committee takes note of this report.
- That the report be referred to the Executive Committee

ITEM NUMBER: **013/07**
HEADING: **WAY FORWARD**

014/07 **CLOSURE**

The meeting adjourned at 16h05
